

LINDA LINGLE
GOVERNOR



CARLITO P. CALIBOSO
CHAIRMAN

JOHN E. COLE
COMMISSIONER

LESLIE H. KONDO
COMMISSIONER

STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
DEPARTMENT OF BUDGET AND FINANCE
465 S. KING STREET, #103
HONOLULU, HAWAII 96813

Telephone: (808) 588-2020
Facsimile: (808) 588-2088

e-mail: Hawaii.PUC@hawaii.gov

September 24, 2009

Katherine M. Prescott
Mark J. Prescott
P.O. Box 22
Pahoa, Hawaii 96778

Catherine P. Awakuni
Executive Director
Division of Consumer Advocacy
Department of Commerce and Consumer Affairs
P. O. Box 541
Honolulu, Hawaii 96809

Re: Docket No. 2009-0161 – Application of Hawaiian Beaches Water Company, Inc.
("HBWC") for Review and Approval of Rate Increases; and Revised Rate Schedules.

Dear Parties:

Enclosed for your records are copies of testimonies and comments received into the record of the above-referenced docket by the Hawaii Public Utilities Commission prior to and during the public hearing held on September 21, 2009 ("Public Hearing"). In addition, the Public Hearing sign-up sheet is also enclosed for your records. Please contact the undersigned to address any concerns regarding these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Ji Sook Kim".

Ji Sook Kim
Commission Counsel

LK:laa

Enclosures (4)

c: Morihara Lau & Fong LLP

John Carroll
POB 7180
Hilo HI 96720
September 11, 2009

Public Utilities Commission
State of Hawaii

PUBLIC UTILITIES
COMMISSION

2009 SEP 14 A 9:54

FILED

Dear PUC,

I own and occupy a home in the Hawaiian Parks subdivision near Pahoa on the Big Island, and my water provider is Hawaiian Beaches Water Company (HBWC). I would like to add my voice to the protest of all the residents here, asking that you deny their proposed rate increase currently pending before the PUC. There are several points to consider in this regard.

- The other main water provider here is the County Department of Water Supply. The enclosed sheet compares the County's water rate with HBWC's proposed rate. The difference is shocking. If HBWC is to be given a metered rate, **this rate should be equivalent to the amount charged by the County for water, not more than double the County rate.**
- HBWC was given a 100% rate increase not long ago, in part to finance needed improvements to their system. We now find out that they borrowed heavily to pay for the improvements. PUC should conduct a thorough audit of their books at this time. A piecemeal examination is not sufficient to discover irregularities in the management of this company. Genuine operating costs for the delivery of water should be separately considered from capital costs.
- If a utility wants to ask the PUC for a rate increase, it is important that they appear to be losing money in their operations. Accumulating large debts in a short period of time is an easy way to appear to be financially stressed, as debt service begins to dominate the balance sheets. HBWC drilled a new well, built a massive new tank, installed hundreds of new meters, and carried out other major capital improvements all at once, in the matter of a few months. We, the customers, naturally assumed that this was being paid for with the added revenues from our increased rates. We now find out that this work was carried out with borrowed money. After the last rate increase, HBWC's gross monthly revenue should have doubled. What happened to this cash flow?
- The decision to incur large debts rather than wait for revenue to accumulate to fund these improvements was made by HBWC's management, not by the customers. The customers should not now be required to pay for poor management choices. If there was some urgency in the need for a new well, that improvement might have been enough for this year. The new tank, the meters, and the other improvements were not urgent needs, and these could have been carried out in subsequent years as the cash flow permitted. These matters are

HBWC's business. They become the customers' business only when the customers are asked to bear the financial burden.

- * • HBWC management has indicated that they intend to pass the cost of this PUC application (\$250,000) along to the customers. This presents the curious situation of the customers being asked to pay for the cost of increasing their water bills. There is unfairness here that needs to be addressed.
- ✓ • This would seem to be the appropriate time to ask HBWC to verify the accuracy of their meters. If the PUC is going to grant this company a metered rate, the devices that measure usage must be certified as accurate. The matter of HELCO electric meters providing inaccurate readings is in the news here of late. What is worrisome is that mistakes always seem to be in the direction of showing more usage leading to a higher bill. HBWC has had to replace at least one meter already because of gross inaccuracy (in the upward direction). PUC or third party calibration is needed on all the water meters in this system (and on all the HELCO meters too).
- The matter of a power adjustment charge should be clearly defined by the PUC. This may already be the case, but it is a little baffling for the customer. At present there might be a power adjustment charge on one HBWC bill and none on the next bill.

The most important requests of this letter are that:

- 1) The HBWC metered rate be roughly equivalent to the amount charged by the Hawaii County Department of Water Supply, and
- 2) The water usage be measured accurately by HBWC meters.

Sincerely,

John Carroll

$$* \$250,000 \div 1100 \text{ CUSTOMERS} \approx \$227.00 \text{ ea.}$$

In Comparison...

The following rates and information were obtained from the Hawaii County Department of Water Supply. Anyone might verify this information by calling customer service at Water Supply, 961-8060. The column on the left, tabulates the cost of County water, and the column on the right indicates what the customer would pay for equivalent service from Hawaiian Beaches Water Company, if the PUC should dare to grant the outrageous rate increase they are requesting. All charges noted here are monthly, even though Water Supply bills every two months and charges for water in the following increments (volumes in excess of a whole thousand are ignored; that is to say that 9,800 gal. is billed as 9,000 gal.):

10,000 gal.	@ \$.75/1,000 gal.
10,000 to 30,000 gal.	@ \$1.55/1,000 gal.
30,000 to 50,000	@ \$ 2.75/1,000 gal

	County Water Supply	HBWC
Standby	\$12	\$30
10,000 gal	\$.75 per 1,000 gal. X 10 = \$7.50 + standby = \$19.50	\$5.78 per 1,000 gal. X 10 = \$57.80 + standby = \$87.80
15,000 gal.	\$7.50 + (\$1.55 X 5 = 7.75) + standby = \$27.25	\$5.78 X 15 = \$86.70 + standby = \$116.70
20,000 gal.	\$7.50 + (\$1.55 X 10 = \$15.50) + standby = \$35.00	\$5.78 X 20 = \$115.60 + standby = \$145.60

ETC.

Added onto these charges are the power cost surcharges. At present these are:

\$1.83 per 1,000 gal.	0.00 (current bill, but this has not always been zero)
-----------------------	---

So for 20,000 gal., total charges are:

\$35.00 + (\$1.83 X 20 = \$36.60) = <u>\$71.60</u> (County)	<u>\$145.60</u> (HBWC)
--	------------------------

In this range of usage, up to 20,000 gal./mo., HBWC's rate increase request *represents a water cost to the consumer that is 210% to 230% higher than the County cost.*

County Water Supply estimates that an average individual uses 2,000 to 3,000 gal./mo. of water. This calls into question the accuracy of HBWC's meters, which are recording values as high as 20,000 gal./mo. for single individual households. There is a need for PUC or third-party calibration of a random, double-blind (no pre-announcement or tampering) sample of HBWC's meters. Some meters are quite old, so that ideally, *every* meter should be calibrated at HBWC's expense.

**PUBLIC UTILITIES COMMISSION
PUBLIC HEARING ON
HAWAIIAN BEACHES WATER COMPANY, INC.'S RATE APPLICATION
Docket No. 2009-0161**

**Public Hearing Testimony of Kate Prescott
President of Hawaiian Beaches Water Company, Inc.
September 21, 2009**

Good evening. My name is Kate Prescott. I am President of Hawaiian Beaches Water Company, Inc. ("Hawaiian Beaches" or the "Company"). Also present with me tonight is my brother, Mark Prescott, who is Hawaiian Beaches' Vice President. I am here tonight to speak in connection with our rate case application, filed on July 17, 2009. I would like to thank the Public Utilities Commission for holding this public hearing and the Consumer Advocate and our customers for their attendance tonight.

Hawaiian Beaches is a public utility authorized by the Commission to provide water utility services within the Hawaiian Beaches Subdivision area since 2007, when it assumed and succeeded all of Miller and Lieb's interests. Unlike many other water utilities, which are often controlled by either developers or large national companies, Hawaiian Beaches is a family owned operation. We currently serve approximately 1,100 customers, nearly all of whom are residential customers.

Hawaiian Beaches is seeking a net revenue increase of \$310,302, or an approximate 48.6% increase over present revenue rates. The proposed change

in rates, if approved by the Commission, will allow us to better serve all customers and the Hawaiian Beaches community and continue providing the necessary water utility services and a system that is both safe and reliable.

The Commission sets water rates and decides whether an increase is warranted based on an analysis of a utility's operations and finances. In coming up with its rates, a utility is allowed to recover all its reasonable operating and maintenance costs. This would include such costs as electricity, labor, , insurance, repairs, chemicals and supplies.. A utility is also allowed to earn a return on the facilities and equipment which are used in providing utility service to customers. An example of this is the new storage tank and well we installed. Another item that makes up the rates is the depreciation we take on our facilities and equipment. The Commission, in reviewing a utility's request for a change in rates, carefully reviews all expenses as well as investments made to ensure the company is run in the most prudent and economical manner possible, consistent with the utility's obligations to provide safe and reliable service.

Hawaiian Beaches is requesting that the Commission approve its proposed change in rates, because a revenue increase is needed to help us keep pace with rising operating costs and to recover expenses incurred for capital improvements. As you may be aware, in the past two years since taking over Miller and Lieb, we have made substantial infrastructure improvements, including constructing and installing a new water well and storage tank, which upgraded

safety protection controls and increased storage capacity by 330,000 gallons. We replaced old meters and completed new meter installations for all customers who previously had no meters. We also installed various emergency equipment upgrades. We re-plumbed an existing tank, which will ensure proper treatment of water and help to prevent service disruption during maintenance and in emergencies. And, we purchased a back up generator capable of running the system at full capacity for extended lengths of time, if necessary, during power outages.

The proposed change in rates will also establish a volumetric or monthly water consumption charge, which, in the interest of fairness to all customers, will reduce or eliminate any subsidy being provided by existing lower usage customers. In other words, while certain high volume water users may experience an increase in their water charges, lower usage customers will actually see a decrease in their water bills from this change in rates.

We understand that no one looks forward to an increase in the rates they are charged. However, we do ask that you consider the need for Hawaiian Beaches to recover our reasonable costs in running our operation to allow us to continue to invest in what is needed to ensure our ability to continue to provide you with water service in a safe and reliable manner.

The Commission and the Consumer Advocate will closely analyze and review our request for a change in rates. We look forward to working with these agencies, as well as our customers and the Hawaiian Beaches community, in explaining and supporting our proposal and addressing any concerns. We are committed to serving our customers to the best of our abilities and ensuring fair rates, and trust that the result of this regulatory process will be the development and implementation of both fair rates and a reasonable rate design for our customers.

We thank you all for your attendance at this public hearing tonight, and we hope that your concerns can be addressed through this regulatory process. In addition, for those of you who may not have had the opportunity to review our rate increase application, a copy of our application continues to be available for public inspection at our main office located at 15-966 Punawai Street. You may also call me directly at 965-9882 or email me at kateprescott78@hotmail.com.

We appreciate the opportunity to make this presentation. Please have a good evening and a safe drive home.

Kate Prescott, on behalf of
Hawaiian Beaches Water Company, Inc.

**PUBLIC HEARING
HAWAIIAN BEACHES WATER COMPANY, INC.
DOCKET NO. 2009-0161**

**Presentation of Catherine P. Awakuni, Executive Director
Division of Consumer Advocacy
Monday, September 21, 2009, 6:00 P.M.
Keonepoko Elementary School Cafeteria**

Good evening Chairman Caliboso, Commissioner Cole, and Commissioner Kondo. I am Catherine Awakuni, Executive Director of the Division of Consumer Advocacy ("Consumer Advocate"). The Consumer Advocate represents the interests of the consumers in public utility matters. I am here this evening to listen to the consumers' comments and concerns regarding Hawaiian Beaches Water Company, Inc.'s ("Hawaiian Beaches") request for approval of rate increases and revised rate schedules.

The Consumer Advocate's role is to represent the interests of all Hawaii consumers of public utility services by advocating for reliable utility services at reasonable customer costs. To do this, the Consumer Advocate is taking an independent look at Hawaiian Beaches' request for Public Utilities Commission ("Commission") approval of its rate increases. We will confirm whether there is a need for the proposed rates and whether the rates proposed are necessary to ensure the provision of reliable service. After completing our review, we will file a statement of position with the Commission explaining our analysis and recommendations. At this time, the Consumer Advocate has not completed its analysis and is not able to state its position on the merits of Hawaiian Beaches' request this evening.

Since the Commission will ultimately decide whether to allow Hawaiian Beaches to proceed with its request, we encourage the public to express their opinions to the Commission regarding Hawaiian Beaches' proposal. Your input is important because only

you can tell us what effect the company's proposal may have on you and the businesses you may represent.

As we move forward, please feel free to contact the Consumer Advocate's office at anytime to share your thoughts, concerns, and questions regarding this or any other utility matter.

Thank you for the opportunity to make this presentation.

Contacts for the Division of Consumer Advocacy:

Mail	Post Office Box 541, Honolulu, Hawaii 96809
E-mail	consumeradvocate@dcca.hawaii.gov
Phone	(808) 586-2800
Fax	(808) 586-2780

PUBLIC HEARING SIGN-UP SHEET

DATE/TIME: Sept. 21, 2009 @ 6:00 PM

STAFF: CC, JC, LHK, LK, SI

CITY/ISLAND: Pahoa, Hawaii

Ct. Rptr: _____

PLACE/ADDRESS: Keonepoko Elem. School Cafeteria, 15-890 Kahakai Blvd., Pahoa

DKT.NO./APPLICANT: Dkt. No. 2009-0161, Hawaiian Beaches Water Company, Inc.

SUBJECT: Application for Approval of Rate Increases; and Revised Rate Schedules

(PLEASE PRINT)

	NAME	ORGANIZATION/ADDRESS
1.	Kate Prescott	Hawaiian Beaches Water Company
2.	Catherine Anakuni	Division of Consumer Advocacy
3.	TIMOTHY SWEENEY	15-2707 MOANO ST. PAHOA RATEPAYER
4.	Tracy Goncalves	15-2707 Opae ST Pahoa
5.	Philip A Wilson	15-450 Kahakai Blvd

	NAME	ORGANIZATION/ADDRESS
6.	Kim Tafua 15-2681 Mano St.	
7.	Paula Bruckner 15-2694 Mano St	* Did Not Testify
8.	ROBERT AZEVEDO	15-2689 KAKU ST. PAHOA, HI
9.	Chuck FRENDON	15-2756 Mahimahi St Pahoa HI 96778
10.	DELBERT SNIEDERKER - Sr	
11.	KEALOHAPAUOLE (Kimo)	
12.	Michelle Starosky	

	NAME	ORGANIZATION/ADDRESS
13.	JOHN CARROLL	
14.	VINCENT ORTIZ	
15.	JEFF SKVA	
16.	Philip Wilson (Second time)	
17.	Timothy Sweeney (second time)	
18.	Kim Tafua (second time)	
19.	WAYNE D. BURKEZ	

	NAME	ORGANIZATION/ADDRESS
20.	Michelle Starosky (second time)	
21.	Delbert Snedeker Sr. (second time)	
22.	Candace Martin	
23.	KEVIN BAUGHMAN	
24.	Tracy Gansalves (second time)	* Did not testify
25.		
26.		